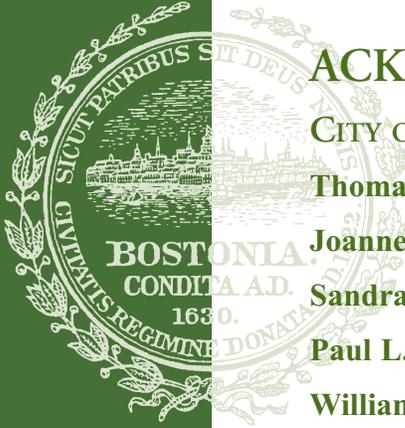


Leading the Way II

Completion Report
January 2008

Thomas M. Menino
Mayor





ACKNOWLEDGEMENTS

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The commitment of Charlotte Golar Richie, former Chief Economic Development Officer of Housing and Director of the Department of Neighborhood Development, and Mark Maloney, former Director of the Boston Redevelopment Authority, toward achieving the goals of Leading the Way II is gratefully acknowledged as we report on the overall success of this effort.

January 2008

Dear Friends,

Seven years ago, I announced the creation of *Leading the Way*, a comprehensive three-year housing strategy designed to increase the production of new housing within the city of Boston. We established ambitious goals, pledging to build 7,500 units and to preserve 10,000 more. When the first *Leading the Way* (hereafter referred to as *Leading the Way I*) concluded in 2003, the Boston Housing Authority (BHA), the Boston Redevelopment Authority (BRA) and the Department of Neighborhood Development (DND) proved that city government can truly work together, under the direction of a supportive administration, to not only achieve its goals, but in some cases to exceed them.



However, the reality for many of Boston's working families is that homeownership and affordable rentals continue to be out of reach. In 2003, it took an income of \$105,000 to buy a home in the City of Boston, exactly double the income of the average Bostonian. With the economy in decline, and 93,000 jobs lost in the Greater Boston area during 2001-2003, the need for affordable housing was ever increasing, despite our best efforts. As a result, a second Advisory Panel on housing was convened to assess what strategies had been successful previously, and to help us account for the new fiscal constraints at the local, federal and state levels. Throughout this process, my administration remained dedicated to the principles that made *Leading the Way I* such a great success. When *Leading the Way II* was announced, we committed ourselves to a new cross-Cabinet collaboration with goals to build 10,000 units of new housing (2,100 of which would be affordable) and to preserve 3,000 units of affordable rental housing. In addition, we committed to expand the City's efforts to protect our most vulnerable citizens, our homeless, and to increase efforts to ensure that the economic downturn did not destabilize the neighborhoods that had made such impressive strides forward in the previous years.

I am pleased to report that despite the challenges, we have achieved all of the major goals we established. 10,969 new housing units have been permitted, and 2,213 of those are affordable. 3,569 units of affordable rental housing have been preserved, including 577 units of public housing that have been reclaimed through redevelopment and rehabilitation. In addition, over the last three years we've reduced the number of homeless seniors living on the streets by 63%, and created a more effective method to prevent homelessness before it starts by establishing the new Boston Homelessness Prevention Clearinghouse.

As we move forward toward establishing our next set of goals, I'd like to thank the members of the Advisory Panel, many of whom have served tirelessly for both *Leading the Way I* and *Leading the Way II*; my past and present Cabinet chiefs; the BRA, the BHA, DND, the Inspectional Services Department, Fair Housing, the Budget Office, the Emergency Shelter Commission and the Rental Housing Resource Center; the staff of these agencies, who work hard every day to ensure that the needs of the community are being met; our government partners both at the state level at the Department of Housing and Community Development and our federal partners at HUD; and last, but certainly not least, our partners in the nonprofit and private development communities, without whom we could not have accomplished so much in the past seven years. I look forward to our continued collaboration as we lead the way to the future of Boston.

Sincerely,

A handwritten signature in green ink that reads "Thomas M. Menino". The signature is fluid and cursive, with a large initial 'T'.

Thomas M. Menino, Mayor
City Of Boston

Leading the Way II

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EXECUTIVE SUMMARY

Leading The Way II (LTW II) was launched in 2003 to build upon the success of the original *Leading the Way I (LTW I)* housing campaign that ran from 2000-2003, and resulted in the permitting of 7,600 new units of housing, including more than 2,100 affordable units. In addition, the Boston Housing Authority (BHA) reclaimed and reoccupied virtually all of its vacant public housing units. The success of *LTW I* proved that working from a clearly articulated goal-driven policy produced results.

The *LTW II* strategy encompassed the next four years from July 2003 through June 2007 and had several ambitious goals: permit 10,000 new units of housing, 2,100 of which would be affordable; preserve 3,000 units of affordable rental housing; implement a \$10 million expansion of the City's efforts to house its homeless; invest in neighborhoods at risk from the effects of the economic downturn. The results of the *LTW II* campaign are:

HOUSING PRODUCTION

10,969 new units have been permitted; this is the equivalent of adding the entire housing stock of the Hyde Park neighborhood to Boston. Total development investment was \$3.5 billion, resulting in approximately 14,000 jobs added to the economy over 5 years. 2,213 affordable units were permitted including 1,317 units in City-sponsored developments. These developments represented a half billion dollars of public and private investments: \$55 million in City resources was used to leverage another \$453 million in public/private resources. The *Inclusionary Development Policy* created 729,732 affordable units without using any public resources, or 33% of all new affordable housing.

COMBATING HOMELESSNESS

6,699 households that were homeless or at greatest risk of becoming homeless were housed through the BHA's prioritizing of the homeless in its housing and rental assistance programs. The new homelessness campaign promised by *LTW II* was launched in November 2005 and included a new initiative to develop single person occupancy housing for homeless individuals, a new Boston Homelessness Prevention Clearinghouse, and an initiative to help seniors living on the streets get into permanent housing. The \$10 million fundraising target for these initiatives was exceeded with a total of \$12.8 million raised. 174 single person occupancy units have been permitted, with another 294 in the pipeline. The number of seniors living on the streets is down by 63% since 2004, and more than 275 families have averted homelessness with the help of the Clearinghouse.

HOUSING PRESERVATION

3,569 units of affordable rental housing were preserved, exceeding the 3,000-unit target. 2,281 units of Federal and State-assisted housing with expiring use restrictions were preserved. The BHA preserved 577 units of public housing through redevelopment and rehabilitation of existing units. Another 711 units of housing in owner-occupied or non-profit owned housing were preserved with physical and financial reinvestment

PRESERVING NEIGHBORHOODS

To keep neighborhoods strong through the recession, the City's achievements include: 1) A 39% reduction in residential abandonment; 2) Over 1,100 homeowners have invested more than \$22 million in home improvements with City assistance; 3) The launch of a new comprehensive foreclosure prevention initiative in late 2006 that has already saved 118 homeowners from losing their homes. Foreclosure rates on City-assisted buyers are running at less than one-third the rate of those in the open market.

I. INTRODUCTION

LTW II began in 2003 and built upon two prior housing campaigns; the first of these was announced by Mayor Thomas M. Menino in his 1999 State of the City address. In that address, Mayor Menino promised to take on the growing regional housing shortage by doubling housing production that year to 2,000 units. In 2000, the City followed up on that campaign with the first *Leading the Way* housing strategy. That strategy established goals beyond the production of new housing. It included commitments to ensure that affordable units were produced, that affordable rental housing was at-risk for becoming market-rate were preserved, that vacant public housing units were reclaimed, and that residential abandonment would be significantly reduced.

Four and a half years later these two efforts had produced significant results. 10,255 new units had been permitted, including 2,825 affordable units. 1,079 vacant public housing units had been reclaimed, with fewer than 100 vacant units remaining. The City had raised \$33 million in new resources for affordable housing through the sale of City real estate assets and direct appropriation of City funds. A new Inclusionary Development Policy (IDP) had been put in place under which market rate housing developers were required to set aside 10% of their units for sale to income-eligible buyers at affordable prices. Over 5,000 units of at-risk rental housing had been preserved. Residential abandonment had been cut in half.

LTW II was developed to build on these achievements, being mindful of the fact that Boston was a very changed economic environment 2003. Between 2001 and 2003, Greater Boston had lost 93,000 jobs, with almost 37,000 of those lost jobs in Boston. Despite the economic downturn, the housing market, spurred by a combination of lagging housing production in the suburbs and declining interest rates and easier credit, continued to boom, and affordable housing was difficult to find. Boston still needed an aggressive housing production agenda to bring balance to the housing market. To that end, a 10,000-unit production goal was established. The continuation of rising home prices and rents also increased the risk that owners of affordable housing would covert to market rate; the new plan included a commitment to preserve another 3,000 at-risk rental units.

But Boston also needed new strategies that reflected the changed economic times. Rising housing costs and declining job opportunities created circumstances that could greatly boost the ranks of the homeless. To combat this possibility, a \$10 million expansion in homeless housing and homelessness prevention was included in the new plan. Despite record-low home foreclosures in 2003, the new strategy was reflective of previous circumstances that might foreshadow future occurrences. The previous economic downturn of 1990-1993 had brought a surge of foreclosures that greatly destabilized the neighborhoods in which they had concentrated. To forestall

such an outcome, the City committed to expand foreclosure prevention efforts. In addition, an economic downturn could also undermine the gains that many of Boston's poorer neighborhoods had made since 1999. A commitment to further reduce abandonment by 50%, to increase investment in the neighborhoods by homeowners and to develop 2,100 units of new affordable housing were key elements of the strategy to maintain progress in the face of prevailing negative economic factors.

This report documents the progress that the City has made toward achieving these goals.

II. OVERALL HOUSING PRODUCTION

As of June 30, 2007, a total of 10,969 new units of housing were permitted, 110% of the 10,000-unit production target. In relative terms, this is the equivalent of adding the entire housing stock of the Hyde Park neighborhood to Boston in a 4-year period. As indicated in *Chart 1*, 86% of these units are from the private development industry and 14% are the result of the Department of Neighborhood Development (DND) and Boston Housing Authority's (BHA) sponsored development. 60% of these units are complete. Only 8% of the permitted units have yet to begin construction.

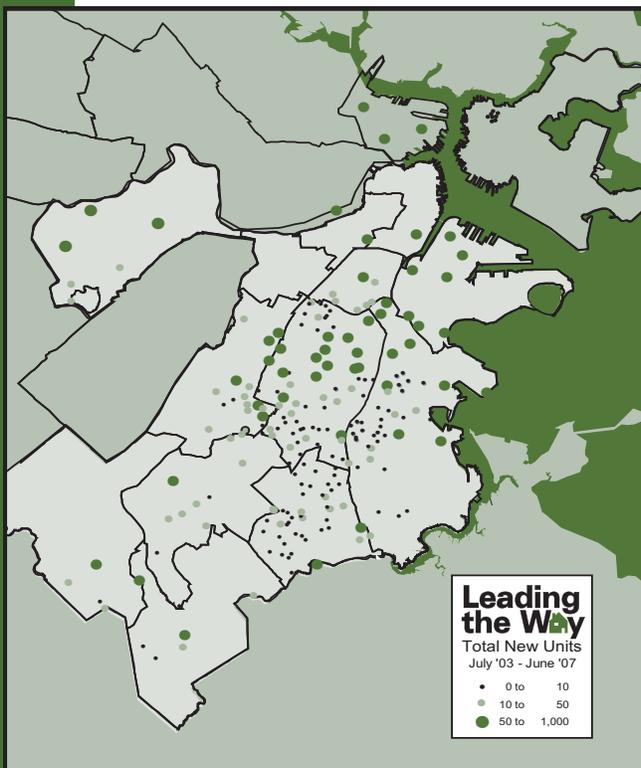
ECONOMIC IMPACTS OF HOUSING PRODUCTION

Beyond the benefits of providing increased housing opportunities for households of all income levels, this new housing production has provided significant benefits to Boston's economy. The development of these units translates into \$3.5 billion of private and public investment in Boston. Using the economic model developed by the National Association of Homebuilders, it is estimated that over a five-year construction period from 2003-2008, more than 14,000 jobs in the economy were created as a result of these investments. Additionally, the 10,969 new households that move into these units will add an estimated combined \$1 billion in income to spend in Boston's local economy.

Chart 1
Leading The Way II
Housing Production Record Jul 2003 - Jun 2007

By Source:	UNITS	% TOTAL
Private	9,388	86%
Government Assisted	1,581	14%
TOTAL	10,969	100%

By Construction Status:	UNITS	% TOTAL
Pre-Construction	853	8%
In Construction	3,493	32%
Complete	6,623	60%
TOTAL	10,969	100%



HOUSING PRODUCTION BY NEIGHBORHOOD

As can be seen from *Map 1*, the new housing was created across all of Boston's neighborhoods. The larger, high-density developments were primarily concentrated in the central neighborhoods, although there were some large projects in virtually every corner of the city.

The distribution of housing growth by neighborhood reflects both market forces and City policies. The City's *Downtown Housing Policy* that permits developers to seek higher residential density in downtown Boston to make residential construction more competitive with commercial construction has resulted in a

Chart 2 Leading The Way II Neighborhood Growth Rates 2003-2007			
Neighborhood	New Units	Existing Units	Growth Rate
Central	1,624	14,288	11.37%
South Boston	1,303	15,022	8.67%
Fenway/Kenmore	1,181	14,902	7.93%
East Boston	964	15,078	6.39%
South End	863	14,424	5.98%
Charlestown	438	7,755	5.65%
Roxbury	795	22,515	3.53%
Mattapan	437	12,612	3.46%
Dorchester	1,122	32,928	3.41%
Back Bay/Beacon Hill	486	16,872	2.88%
Jamaica Plain	452	16,923	2.67%
Hyde Park	271	10,956	2.47%
West Roxbury	270	12,397	2.18%
Allston/Brighton	579	30,988	1.87%
Roslindale	184	14,275	1.29%
Citywide	10,969	251,935	4.35%

dramatic increase in the downtown housing stock. The opening up of the South Boston and East Boston waterfront for development is resulting in high growth rates in those neighborhoods as well. In the South End, the City's efforts to make more of its land holdings available for development as well as conversions of large industrial and warehouse buildings have contributed to its higher-than-average growth rate.

DORMITORIES

Consistent with the City's policies of increasing dormitory housing to get more students housed on-campus and open up apartments for non-student households, Six new dorms were built, representing 2,547 new dorm beds in total. Of those, 1,587 beds are complete and occupied and 960 are now starting construction. It is estimated that around 638 apartments in surrounding communities will be opened up as a result of this new dormitory housing for students.

GREEN BUILDINGS

In September 2003, Mayor Menino convened the Green Building Task Force to develop strategies to incorporate more green building and energy-efficient design into new development in Boston. On January 10, 2007, a new zoning amendment took effect that requires all new large-scale development in Boston be certifiable under the LEED standards established by the U.S. Green Building Council. The BHA and Trinity Financial incorporated several green and healthy public housing technologies into the design and construction of Maverick Landing, a new 396-unit mixed-income community in East Boston. In April 2007, one of the first major privately-funded residential developments utilizing extensive green technologies, the Macallen Building in South Boston was completed. Recently, DND was awarded \$2 million from the Massachusetts Technology Council to incorporate green technologies into even more of its affordable housing developments.



Theater District: Piano Row Dormitory, Emerson College - Opened in 2006 this dormitory houses 560 college students

MODERNIZING THE PERMITTING SYSTEM

In developing *LTW II*, the City acknowledged the concerns from the development community about the length and complexity of the permitting process and committed to making the system more efficient. While much of the time in the permitting process is spent in the Article 80 community review process (an essential component to ensuring that development is respectful of the local community), it is also true that the administrative procedures required to get a permit are complex and often lengthy. In 2004, the City undertook a comprehensive review of the the permitting process and found that while the process is extremely complex, virtually every step in the process is necessary to adhere to the the various state and city laws that govern development.

The City's strategy to streamline permitting is to make the administration of these many steps more efficient through the use of automation. Steps that might have been done consecutively can be done concurrently. Project information can be electronically transmitted to regulatory authorities instead of having developers complete multiple forms. Currently, Hansen Systems is under contract with the City to develop this system, with a completion target of 2008.

III. AFFORDABLE HOUSING PRODUCTION

With home prices at a level out of reach for people with incomes under \$105,000 and average asking rents at levels requiring an income of more than \$60,000, producing affordable housing for those priced out the market was a central goal of *LTW II*. This new affordable housing would need to address a broad range of needs - from the homeless to the priced-out middle class. Reflecting the breadth of Boston's housing needs, many strategies were used, ranging from creating units for the middle class (incomes up to \$89,000 for a three-person family) without use of public funds through the Inclusionary Development Policy, to producing new affordable homeownership housing for moderate-income homebuyers (income under \$60,550 for a three-person family), to creating single person occupancy housing for the homeless. To ensure that most of the new housing would be affordable to those with the greatest need, the City also established an affordability targeting goal where at least 75% of new affordable units had to be available to moderate-income households earning less than \$60,500 for a family of three (under 80% of Area Median Income or AMI).

Chart 3
Leading The Way II
Affordable Housing Production

Income Cap (Family of 3, FY07)	City-Assisted	Other Non-Profit	Private Inclusionary	Total
< 30% AMI (\$22,750)	284	33	0	317
30%-60% AMI (\$45,420)	587	80	54	721
60%-80% AMI (\$60,550)	358	0	327	685
80%-100% AMI (\$74,150)	80	0	46	126
100%-120% AMI (\$89,000)	8	51	305	364
TOTAL	1,317	164	732	2,213

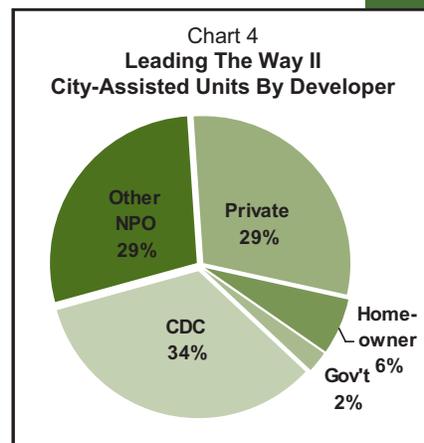
As shown on *Chart 3*, the City has achieved 105% of its 2,100-unit target. With 78% of the affordable units set aside for households earning below 80% AMI, the City also exceeded its income targeting goal. 60% of the affordable units were created in developments that were funded through the City, 33% were created without public funding through the IDP, and 7% were created by non-profit developers that were able to complete their projects without City assistance.

CITY-ASSISTED AFFORDABLE HOUSING

City-sponsored affordable housing developments created 1,326 units, representing 60% of the affordable housing produced during *LTW II*. These units were produced by a wide variety of developers and served the full spectrum of housing needs from homelessness to middle-income homeownership.

DEVELOPER PROFILE

As can be seen from *Chart 4*, Boston's community development corporations were the single largest developer of affordable units, representing 34% of new City-assisted housing production. Other non-profit entities such as Pine Street Inn or Sojourner House or HEARTH developed



another 29% of the affordable units. Combined, the non-profit sector produced 63% of the City-assisted affordable units. Individual homeowners created 6% of the units by renovating vacant units or constructing a new home, while for-profit developers produced 29% of the affordable units.

INCOME & TENURE PROFILE

As can be seen from *Chart 5*, the income profile of the City-assisted affordable housing is closely related to the tenure format. Affordable rental housing serves primarily households earning less than 60% of AMI, while affordable homeownership is primarily serving those between 60% and 80% of AMI.

This reflects traditional housing patterns as people move into home-ownership as they move up the economic ladder. It is also reflective federal government funding programs that generally target rental programs to lower incomes than homeownership programs.

Chart 5 Leading The Way II City-Assisted Affordable Housing By Tenure & Income			
Income Cap (Family of 3, FY07)	Rental	Ownership	Total
< 30% AMI (\$22,750)	284	0	284
30%-60% AMI (\$45,420)	561	26	587
60%-80% AMI (\$60,550)	111	247	358
80%-100% AMI (\$74,150)	2	78	80
100%-120% AMI (\$89,000)	2	6	8
TOTAL	960	357	1,317

AFFORDABLE RENTAL HOUSING

Most affordable rental housing was produced through the City's *Rental Development Program*. Developers were selected through a competitive Request for Proposals (RFP) process, and awarded City funding. Winning developers then went to the State for Department of Housing and Community Development (DHCD) resources and often also seek an allocation of Federal low-income housing tax credits.



South End: Bates Artblock - The rehabilitation of the former Bates School provides live/work space for qualified artists.

Affordable rental units were also created as part of the City's homeownership development programs via the creation of 2- and 3-family homes. Affordable apartments were also created through the City's *Vacant Unit Program*, which capitalizes on seniors who own 2- or 3-family homes with vacant and uninhabitable apartments but do not possess the means to rehabilitate these units. Rehabilitation funding is provided to income-eligible seniors in exchange for affordable rents. Some additional affordable rental units were also

created by the BHA through the renovation of vacant units or through the redevelopment of distressed developments to produce more units than are needed for returning tenants.

AFFORDABLE HOMEOWNERSHIP

There are four primary mechanisms by which the City creates affordable homeownership. Two programs depend on for-profit and non-profit developers to



East Boston - 14 affordable condominiums

build new multi-unit homeownership developments. The *Home Again Program* offers packages of City-owned vacant lots to developers at nominal prices, and provides gap financing to ensure that the resulting homes are sold at affordable prices. The *Homeownership Development Program* solicits development proposals through a competitive process. The selected developers are provided an award of City funds and are then generally routed to the State to raise the additional funds they need.



North Dorchester: Otisfield Street - This BuildHome Program project was built by the homeowners.

Two programs help individual homeowners create their own homeownership opportunities. The *Residential Development Program* offers City-foreclosed abandoned buildings to first time homebuyers along with technical and financial assistance. The *BuildHome Program* offers City-owned vacant lots at discounted prices to middle income owner-builders. The City provides extensive technical assistance but no significant financial assistance to these builder-owners.

RESOURCES USED TO PRODUCE CITY-ASSISTED AFFORDABLE HOUSING

As can be seen from *Chart 6*, City-supported affordable housing projects cost just over a half billion dollars to develop. Over \$200 million, or 41% of the resources to fund these developments came from private loans, equity and philanthropy. Federal programs brought in \$152 million in grants and loans. With \$120 million in funding from the three federal tax credit programs (Low Income Housing Tax Credit,

Historic Preservation Tax Credit and New Markets Tax Credit), tax credit equity was the largest single category of public financing.

At almost \$55 million, State affordable housing programs operated out of DHCD represented the second-largest source of public funding for **LTW II**.

City-controlled funds (CDBG, HUD, HOME and City-generated sources) are typically the first resources awarded to an affordable housing development. Developers then work with the City to raise additional public and private funding to fully finance the project. During the **LTW II** period, on average, for every \$1 of City funds awarded to a project, \$4.42 in other public funding was leveraged, and \$3.77 in private resources was raised.

Chart 6
Leading The Way II
Fundings Sources: City Assisted Affordable Housing Production

SOURCE	AMOUNT	% TOTAL
Entitlement Grants to Boston	\$25,111,018	
Leading The Way Fund	\$11,293,551	
Inclusionary Development Fund	\$4,238,800	
Linkage	\$12,303,576	
Other City	\$2,282,299	
Subtotal City Controlled Funds	\$55,229,244	10.9%
State Funds (DHCD)	\$54,619,096	
Other State Funds	\$2,869,702	
State Public Housing	\$747,953	
Mass Development	\$540,000	
Mass Housing Partnership	\$3,573,366	
State Tax Credits	\$8,665,824	
MassHousing	\$21,693,482	
Subtotal State Sources	\$92,709,423	18.3%
Federal Competitive Grants	\$14,724,559	
Federal Tax Credits	\$119,920,494	
Federal Public Housing Funds	\$14,588,938	
Federal Home Loan Bank	\$2,274,801	
Subtotal Federal Sources	\$151,508,792	29.8%
Private Loans & Equity	\$205,314,448	
Fundraising/Philanthropy	\$2,992,355	
Subtotal Private Sources	\$208,306,803	41.0%
TOTAL	\$507,754,263	100.0%

INCLUSIONARY AFFORDABLE HOUSING

The City's IDP was first enacted in February 2000 and has been continually strengthened since that time as shown in *Chart 7* below.

Chart 7
Leading The Way II
Evolution of the City's Inclusionary Development Policy

Date	Action
February 2000	Executive Order creating IDP policy issued. 10% of total units set aside as affordable: half at 80% AMI (currently \$60,550 for 3-person hhld) half at 80-120% AMI (currently \$89,100 for a 3-person hhld) provided that average affordability of these middle-income units is 100% AMI (currently \$74,150 for a 3-person hhld). Units can be produced offsite at a rate of 15% of the total units. City may accept in lieu-of payment (Cash Out Payment) of \$52,000 times 15% of the total units in the project.
September 2003	BRA established pilot modification to IDP policy where the on-site affordability requirement would be raised to 15% of the market rate units in the development (equivalent to 13% of total units). This was made permanent policy in 2006.
February 2005	Executive Order issued to increase the Cash Out Payment to \$97,000 to more accurately reflect the cost of producing an affordable offsite unit.
May 2006	Executive Order issued to substantially modify the Policy. All rental units will be affordable to households with incomes between 100% and 120% of <i>Boston</i> median income (equal to 68%-85% AMI –currently \$46,000-\$55,000) and all ownership units would be affordable to households with incomes between 130% and 160% of <i>Boston</i> median income (equal to 89%-109% AMI, currently \$60,000-\$73,000). The Cash Out Payment was modified to a sliding scale where the payment for ownership units would be 50% of the difference between the market value of a unit and the affordable price, not less than \$200,000. Payments for rental units were set at a fixed \$200,000 payable over 7 years.

Since the triggering event for inclusionary development is the application for zoning relief, which occurs near the beginning of the development process, the 2006 reworking of the policy has not affected any significant projects permitted during the *LTW II* period.

In total, 732 affordable units, or one-third of all affordable housing production was the result of the City's IDP. Largely targeted to the priced-out workforce, these units represented 72% of the middle income units (incomes between \$60,500 and \$89,000) created during *LTW II*. The cash-out option also resulted in considerable resource commitments for affordable housing. In total, \$13.7 million was committed from projects permitted during *LTW II*.

While some of that revenue has yet to be received, pending the completion of the contributing project, the resources that have been received by the IDP Fund are already being put to use producing affordable housing. 130 affordable units in six projects with a total of \$4,238,800 in IDP funding have been permitted so far.



Fenway: With 58 onsite affordable units, Trilogy has the largest number of inclusionary units of any completed *LTWII* project

IV. HOUSING THE HOMELESS

PUBLIC HOUSING

The public housing stock and the Section 8 Housing Choice Voucher programs continue to be the primary means by which Boston houses its homeless. As can be seen from *Chart 8*, a total of 8,134 households that were homeless or most at risk of becoming homeless came to the BHA for housing during the four years of *LTW II*. By prioritizing its programs to serve the homeless, 6,699 people were successfully housed.

Chart 8 Leading The Way II Homeless Housed Through BHA Programs		
Program	Homeless/At Risk Persons Applied	Households Housed
Public Housing Elderly	2,768	1,167
Public Housing Family		2,621
Section 8	5,366	2,695
Mass Rental Voucher Program		216
TOTAL	8,134	6,699

The BHA has made special efforts to ensure that those most in need of housing are targeted in its programs. For example, the 23 new public housing units in the Maverick Landing Redevelopment that were not for returning residents were set aside for the homeless.



Dorchester: Ashmont TOD, The Carruth Building - 8 of the 74 affordable rental units are set-aside for the homeless

NEW HOUSING FOR THE HOMELESS

The City also produces new housing for the homeless and those most at risk of becoming homeless through two mechanisms: 1) funding developments that are primarily for the homeless, and 2) the Homeless Set-Aside Policy where all affordable rental developments of 10 units or more must set aside 10% of their units for the homeless. In total, these two policies resulted in 209 new units for the homeless.

NEW HOMELESS HOUSING INITIATIVES IN LEADING THE WAY II

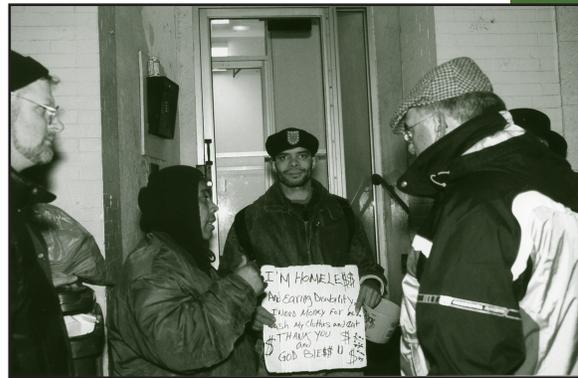
The *LTW II* strategy recognized that the existing policies of prioritizing public housing for the homeless and supporting the creation of new

homeless housing units would not be sufficient to reverse the upward trend in homeless counts that had been seen since the mid-1990s. New strategies would be needed, and the *LTW II* plan included a commitment of \$10 million in new resources for new homelessness initiatives, half of which would come from the City and half from fundraising. On November 5, 2005, Mayor Menino, along with the

City's Emergency Shelter Commission and DND, announced this new and expanded strategy to address homelessness. The strategy launched three new initiatives: 1) a ***Elder Street Homeless Initiative*** to help match up the growing number of seniors living on the streets with permanent housing, 2) a ***Homelessness Prevention Clearinghouse*** that would create a single location where people at risk of losing their apartments could call or come for help, and 3) a new ***Single Person Occupancy Development Initiative*** to house the homeless individuals that make up 51% of the homeless population

ELDER STREET HOMELESS INITIATIVE

One of the more distressing outcomes of the City's 2004 Homeless Census was the rise in the number of seniors that were living on the streets. 77 people 55 years and older were living on the streets in 2004, representing more than 25% of Boston's unsheltered homeless. As part of the new homeless strategy announced in 2005, Citizens Bank provided a grant of \$180,000 over three years to fund an ***Elder Street Homeless Initiative***. A coordinator is working to enhance the links between street outreach teams and supportive housing providers to help unsheltered elders find permanent housing. In the December 2006 survey of the homeless, there were only 28 seniors living on the streets -- a 63% decrease.



Homeless Census - Mayor Menino talks with some of Boston's homeless during the annual census

BOSTON HOMELESSNESS PREVENTION CLEARINGHOUSE

In 2006, the ***Boston Homelessness Prevention Clearinghouse*** opened at the offices of the Metropolitan Boston Housing Partnership. This center, funded over three years with \$1,000,000 from the City and another \$1,000,000 from the Paul and Phyllis Fireman Foundation, provides for the first time a coordinated approach to preventing homelessness. Clients who come to the center for assistance will have access to not only the services of the ***Clearinghouse*** itself, but also to 35 other homelessness prevention services operating in Boston. Since its opening, the ***Clearinghouse*** has provided emergency funds to preserve the tenancies of 275 families and individuals that were facing potential homelessness at an average cost of only \$1,679.



Mayor Menino at the 2006 opening of the Boston Homelessness Prevention Clearinghouse

SINGLE PERSON OCCUPANCY INITIATIVE

The *LTW II* plan recognized that with rooming houses throughout Boston being converted into apartments and condominiums, and public housing serving primarily families and the elderly, there are increasingly few housing options for very low-income individuals other than Section 8 vouchers. To address this shortfall of housing options, the City launched a *Single Person Occupancy Initiative* in 2005. This initiative has 174 affordable units permitted to date and another 294 units in the development pipeline. Of those 174 permitted units, 108 are specifically set aside for the homeless or those most at risk for becoming homeless, and 66 are for the working poor. To date, 150 units are complete and occupied, and 24 are in construction.



South End: Gatehouse - 14 Unit, Single Person Occupancy development for the homeless

RESOURCES FOR NEW HOMELESS INITIATIVES

As can be seen from *Chart 9*, the resource target of \$10 million was exceeded by 28%. This was due in large part to the abilities of homeless housing providers such as Pine Street Inn, to raise private funding for their SPO developments.

Chart 9 Leading The Way II City & Private Resources For New Homeless Initiatives			
Initiative	City Funds	Private Funds	Total
Street Seniors	\$0	\$180,000	\$180,000
Prevention Clearinghouse	\$1,000,000	\$1,000,000	\$2,000,000
Single Person Occupancy	\$4,085,925	\$6,502,665	\$10,588,590
TOTAL	\$5,085,925	\$7,682,665	\$12,768,590

Total Homeless Housed

Additionally, since 2004, the City, along with the homeless service community, has been directing a greater share of the federal McKinney funds to support leasing permanent housing. These efforts have enabled 106 homeless individuals to find permanent

housing in the private market. More than 7,000 homeless households have been provided permanent affordable housing over the past four years.

V. PRESERVATION OF AFFORDABLE RENTAL HOUSING

Since its inception in 2000, the *LTW* strategy has put a great emphasis on the preservation of the existing stock of affordable rental housing. Boston has a stock of 252 developments with 24,250 units of federally-assisted rental housing, many of which are or will be at-risk because of expiring use restrictions or deteriorating physical conditions. In addition, there are another 13,000 units of federal- and state-funded public housing for which chronic under-funding of maintenance and capital needs has put these units at-risk. Even a 4% loss of this stock to physical distress or to expiring use restrictions could effectively offset all of the new affordable rental housing that was created under the *LTW II* strategy.

Chart 11
Leading The Way II
Rental Housing Preservation

Housing Type	Units Preserved
Federal Expiring Use Restrictions (EUR)	2,199
State Expiring Restrictions (SHARP)	82
Boston Housing Authority	577
Other Rental Preservation	711
TOTAL	3,569

LTW II established a goal of preserving 3,000 units of affordable rental housing through several means: 1) preserving at-risk units with expiring federal/state affordability restrictions; 2) preserving public housing through renovation or redevelopment; 3) preserving other privately-owned affordable housing in physical or financial distress. As shown on *Chart 11*, a total of 3,569 units have been preserved.

EXPIRING USE PROPERTIES

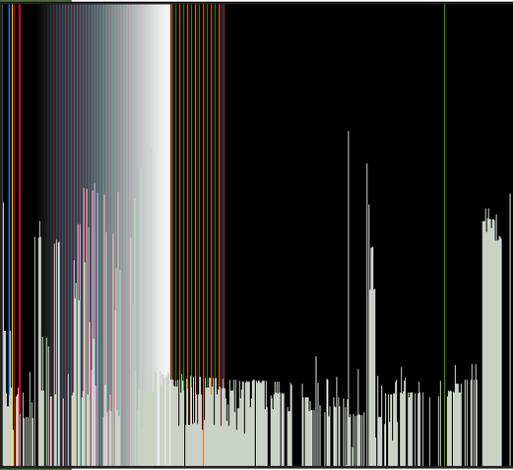
The *LTW II* plan identified 2,746 units of federal and state-assisted housing as potentially at-risk by the end of 2007. To date, the City and its partner in this effort, the Community Economic Development Assistance Corporation (CEDAC) have been able to preserve 2,281 federal and state units. All remaining units are in active preservation negotiations. State Legislation supported by the City that would provide communities with the option to purchase at market value any property where the owner intended to convert to market rate has not yet been passed.

PUBLIC HOUSING

With much of its housing stock more than 50 years old, the BHA, like housing authorities across the country, has a inventory of housing that is deteriorating and increasingly expensive and difficult to maintain. Much of its older stock predates current standards for housing quality and needs modernizing. Built long before accessibility standards for people with disabilities existed, much of the BHA's stock was not accessible.



Fenway: Westland Avenue - A 96-unit expiring use property purchased by the Fenway CDC



East Boston: Maverick Landing - An award-winning redevelopment of 396 units of public housing

From 2000-2003, the BHA focused on renovating or redeveloping its developments that were so deteriorated that many of the units were not only vacant but also uninhabitable. With much of that task completed or in construction by the end of *LTW I*, the BHA turned its attention to renovating or redeveloping its fully occupied properties for *LTW II*, as well as renovating units to the standards required by the Americans with Disabilities Act (ADA).

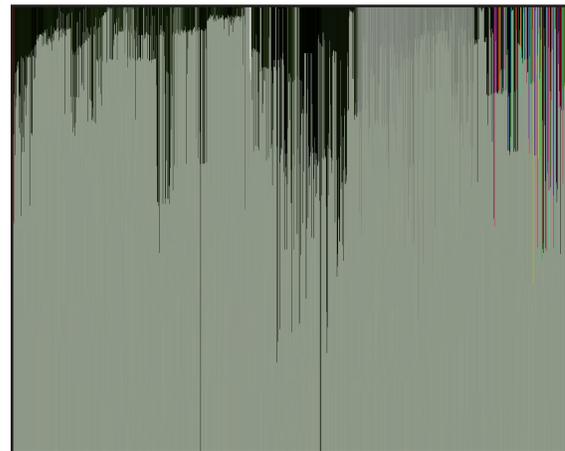
In addition to the Maverick redevelopment that was completed in 2006, the BHA started demolition in early 2007 for the rebuilding of the 55-year-old Franklin Hill public housing development in Mattapan. In total, these two redevelopments created

396 units of affordable public housing at a total cost of over \$125 million. The BHA has renovated 181 units to meet ADA standards, at a total cost of \$24 million. In total, 577 public housing units were preserved.

In the face of continued operating and capital funding shortfalls, the BHA has spent considerable time and effort over the past year looking beyond the conventional federal capital program in order to develop creative investment strategies for badly needed and long overdue capital repairs. The Authority has recently issued a draft “Approach to Preservation”, laying out several initiatives that will generate more than \$150 million for critical repairs within public housing communities over the next decade. The report also identifies significant additional private investment for redevelopment. Strategies include Capital Bond Financing to accelerate access to capital funds for immediate needs, public-private partnerships to secure funding for redevelopment projects, Energy Performance Contracting to leverage private sector funding for systems and other energy-related upgrades, and maximizing the use of Project-Based Section 8 to help preserve some elderly/disabled sites.

OTHER RENTAL PRESERVATION

There were three other mechanisms by which a total of 700 affordable rental units were preserved. In owner-occupied properties, the *Lead-Safe Boston* program requires that the



Mattapan - Rendering of the redevelopment of Franklin Hill public housing

deleaded rental units remain affordable for a minimum of 5 years. *The Three Decker Plus* program provides financial assistance to owner-occupant buyers of 3-family homes, and as a condition of receiving that assistance, the home-buyers agree to keep one of the rental units affordable for 20 years. In total, 211 units were preserved using these programs.

One of the new strategies planned for *LTW II* was an initiative to help non-profits acquire unregulated rental properties that currently house lower-income tenants. The non-profit would renovate and financially restructure the property to ensure affordability for the tenants long into the future. The City set a target of 300 units for this new initiative. As it turned out, there were few suitable properties coming onto the market and local non-profits were not able to acquire properties in the numbers the City had anticipated. Adams Court, with 95 affordable units was the only project completed.

The third category of rental preservation include non-profit owned properties that are not at risk because of expiring use restrictions, but have financial or physical issues that require reinvestment in their properties to preserve the long-term viability of the property. In some cases, renovation of existing units is part of a larger project to expand the development to create new affordable units. In total, 405 rental units were preserved in this way.

VI. PRESERVING NEIGHBORHOOD STABILITY

One of the elements of *LTW II* that differentiated it from *LTW I* was an increased emphasis on preserving neighborhood stability. With an economic recession underway by 2003 in which greater Boston had lost 93,000 jobs between 2001 and 2003, the City wanted to be sure that the neighborhood gains made during *LTW I* were not lost to rising foreclosures, abandonment or disinvestment. By 2003, there were already early signs that there was lower reinvestment going on in the neighborhoods with an 18% drop in renovation permits from 2001 to 2003.

REDUCING ABANDONMENT

While the number of abandoned houses in Boston is very small compared to most other major cities, and had been dropping rapidly over the past decade (*Chart 13*), a slowing economy in 2003 held the potential for reversing that trend. In *LTW II*, the City committed to maintaining the downward trend despite the less favorable economic environment. The City established a target of reclaiming 130 of the remaining abandoned houses, reducing abandonment by 50%. As can be seen in *Chart 14*, 212 abandoned houses were renovated and another 56 were otherwise reoccupied or demolished, but another 162 were newly abandoned. As a result, the City was successful in maintaining the downward trend in abandonment with a 39% reduction in residential abandonment, but not the 50% reduction that was the target.

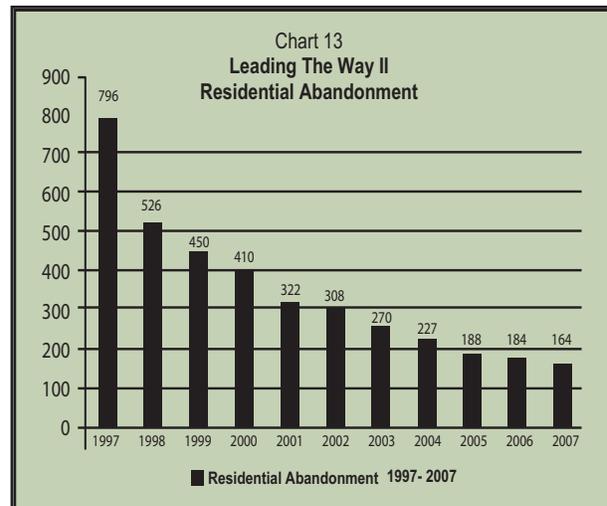


Chart 14
Leading The Way II
Residential Abandonment 2003-2007

Action	Properties
INVENTORY 2003	270
- Renovated 2004-2007	212
- Demolished 2004-2007	34
- Other Outcome 2004-2007	22
+ Newly abandoned 2004-2007	162
INVENTORY 2007	164

PRESERVING HOMEOWNERSHIP

One of the factors that make for strong and stable neighborhoods is a core of homeowners that are invested in the long-term success of their community. To

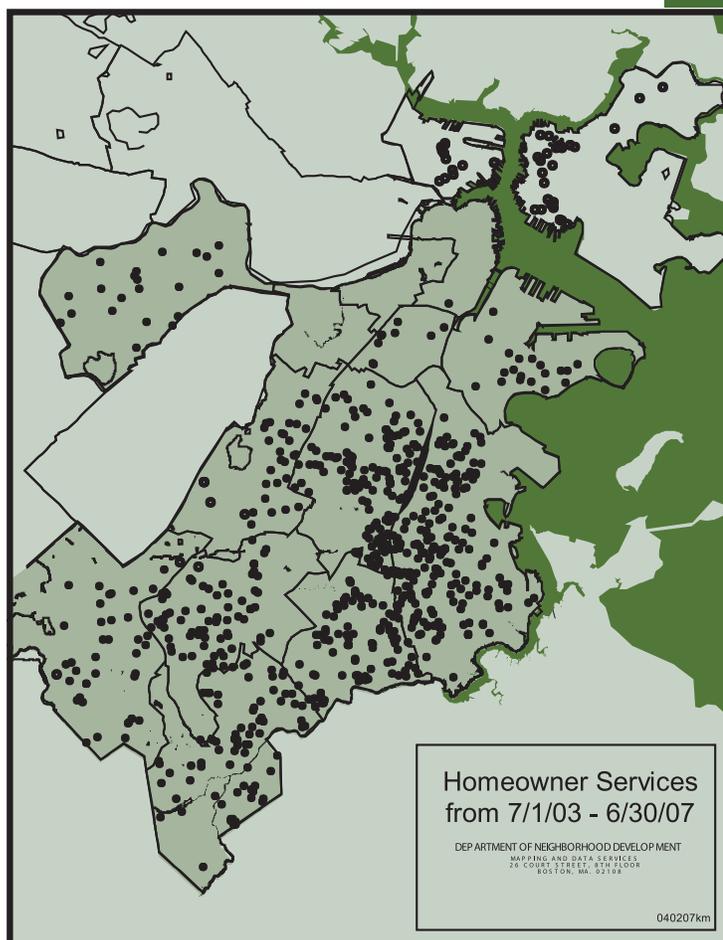
support these homeowners, the City employed two strategies: 1) promotion of reinvestment by homeowners in their properties and 2) prevention of the loss of successful homeowners to foreclosure.

Chart 15
Leading The Way II
Homeownership Preservation

Action	Average Cost/ Property	Properties	Total Investment
Minor Repairs	\$698	2,632	\$1,836,464
Moderate Rehabilitation	\$16,424	1,058	\$17,376,652
Major Rehabilitation	\$114,839	48	\$5,512,293
Total Homes Assisted	\$6,615	3,738	\$24,725,409

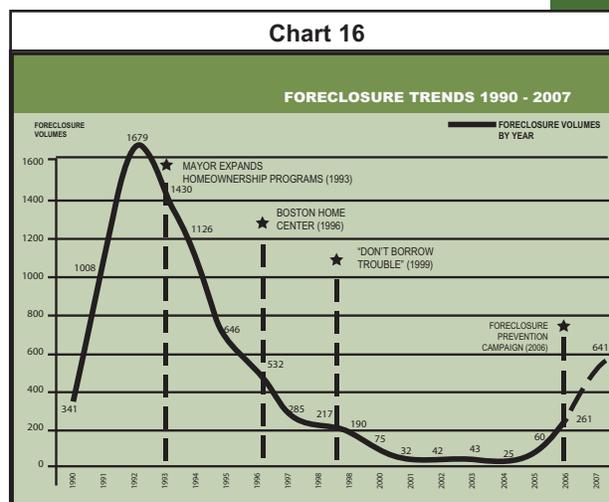
HOMEOWNER REINVESTMENT

As can be seen in *Chart 15*, a total of 3,738 owner-occupied properties participated in City-sponsored home repair programs. The largest group participated in the minor repair programs that do limited repairs, primarily to units owned by seniors. In addition, minor repair programs include **HeatWorks** that replaces outdated heating systems, and **PaintWorks** that helps with exterior painting. The moderate rehabilitation programs include the **HomeWorks** programs, **Lead Safe Boston** and **Senior Homeowner Services** programs. With more than 1,000 properties renovated and \$17.4 million in public and private investment, these moderate rehabilitation programs are the core of the City's efforts to promote reinvestment by homeowners. **The Vacant Unit Program** is the one major rehabilitation program, and helps low-income owners (mostly seniors) renovate and reoccupy vacant units in their multi-family properties.



FORECLOSURE PREVENTION

In 2003, amid a still-roaring housing market and home foreclosures at near-record low of 43 in Boston, it may have seemed incongruous to have made foreclosure prevention such a high priority for the **LTW II** plan. However, since the City began its **Don't Borrow Trouble** campaign in 1999 to warn homeowners and homebuyers of the perils of many of the new subprime loan products being offered, the City could see that the seeds for a bumper crop of foreclosures had been sown. As soon as the market cooled, the ability to refinance or sell to get out of a bad loan would disappear, and homeowners with these bad loans would end in foreclosure without intervention.



By 2006, the market had cooled, and the feared scenario was beginning to become a reality, as foreclosures jumped to 261.

In the late fall of 2006, the City launched an expanded foreclosure prevention initiative

including a network of non-profit foreclosure prevention counselors, and a commitment from six **First Choice Lenders** to help refinance people out of bad loans that could lead to foreclosure. By mid 2007, after only six months of full operation, 118 homeowners had successfully averted foreclosure with the assistance of the City or one of its non-profit counselors. Had those homeowners not been able to prevent foreclosure and lost their homes, Boston's foreclosure rate would have been more than 40% higher during the first half of 2007.

In early 2007, Mayor Menino, with the help of many in Boston's legislative delegation, filed State legislation that would create a statewide network of foreclosure prevention counselors, require truthful labeling on all mortgage offers about the cost of the loan for the first ten years, help establish an emergency loan fund, and rein in the deceptive tactics used by some mortgage originators. By the summer of 2007, many of the provisions of the Mayor's legislation had been incorporated into the legislation approved by the House and Senate, or were already beginning to be implemented through regulation or by State agency action.

To date, Boston's long-term focus on foreclosure prevention is paying dividends. As can be seen in *Chart 17*, homebuyers that come through the Boston Home Center have a foreclosure rate less than half that which is found in the overall market. Despite having limited financial resources and assets, Boston Home

Center buyers know where to find a good loan at a fair price and rarely take on risky or unaffordable loans. Home Center buyers also get the added protection of City counseling any time they want to refinance or take on a second mortgage. About 150 homeowners per year are steered away from bad loans this way.

Worried about paying your mortgage?
Call the Boston Home Center at 617.635.HOME before it's too late.

Don't Borrow Trouble

Boston Home Center

Freddie Mac
It's made home possible

Thomas M. Menino, Mayor
City of Boston
Charlotte Golar Richie, Chief & Director
Department of Neighborhood Development

Don't Borrow Trouble - Foreclosure prevention billboard

Chart 17
Leading The Way II
Foreclosure Rates 1995-2007

Action	Boston HOME Center Buyers	Total Market
Properties	4,438	109,281
Foreclosures	34	2,738
Foreclosure Rate	0.77%	2.51%

VII. WHAT'S NEXT: LEADING THE WAY 2012

Today, for the first time in over a dozen years, we are seeing a cooling of the housing market in Boston, with 2006 prices down 2% from the previous year. This indicates that housing supply has finally caught up with the market demand as we have sought since *LTW* began in 2000.

However, as can be seen from *Chart 18*, in the first half of 2007, some neighborhoods are rebounding quickly, already gaining enough to make up for the losses of the previous year.

Other neighborhoods are showing continuing declines in value. Some neighborhoods are becoming increasingly affordable, while others are more out-of-reach than ever. On average, it still takes an income of \$104,000 to afford the average house or condominium in Boston - which currently costs \$381,000. That \$104,000 is more than double the Boston median income.

Unlike the conditions Boston experienced over the last seven years where there was upward pressure in the market in every neighborhood, the housing market challenges of 2007 and beyond are very different. The City's strategy to address these challenges must also change.

To help the City take a fresh look at its challenges and its strategies, Boston hosted a national housing conference, *Housing Boston 2012*, in April 2007. Speakers representing some of the most successful housing initiatives from around the country

shared their experiences with local housing professionals. The topics reflected the most important issues facing all high-cost cities like Boston such as housing the homeless, leveraging the market, expanding resources, and housing's role in economic development.



Chart 18
Leading The Way II
Neighborhood Price Changes & Affordability 2006, Jan-Jun 2007
1-, 2-, 3-Family Homes and Condominiums

Neighborhood	2005-2006	Jan-Jun 2006-2007	Median Price 2007	Income Needed to Afford Median Priced Single/Condo 2007
Allston/Brighton	3%	-5%	\$323,650	\$81,000
Back Bay/Beacon Hill	3%	19%	\$638,500	\$170,000
Central	-4%	4%	\$575,000	\$159,000
Charlestown	-6%	0%	\$449,900	\$120,000
Dorchester	-10%	-7%	\$325,000	\$80,000
East Boston	-6%	-13%	\$300,000	\$80,000
Fenway/Kenmore	5%	2%	\$306,000	\$87,000
Hyde Park	-2%	-6%	\$330,000	\$95,000
Jamaica Plain	1%	3%	\$371,825	\$96,000
Mattapan	-7%	-15%	\$315,000	\$75,000
Roslindale	-6%	4%	\$350,000	\$86,000
Roxbury	-2%	-14%	\$300,000	\$80,000
South Boston	-4%	9%	\$399,000	\$108,000
South End	-10%	7%	\$547,500	\$149,000
West Roxbury	-3%	-5%	\$380,000	\$118,000
Citywide	-2%	-3%	\$381,475	\$104,000

Fresh with ideas from some of the best innovators in the nation, the City of Boston is currently charting a new strategy to take Boston to the year 2012. It is a strategy that will need to address both the ongoing and emerging housing challenges of the next five years. What is the impact of this dual housing market where values are rising in some neighborhoods and falling in others? As we grow out of the recession of 2002-2003, will our housing stock grow with demand? How can we reduce the number of people living in our homeless shelters? How do we turn around the rising tide of foreclosures and prevent disinvestment in high-foreclosure communities?

Leading the Way 2012, anticipated for an early 2008 launch, will be developed through extensive consultation with the housing advocacy, developer and finance communities. It will, like its *Leading the Way* predecessors, present clear, time-specific and measurable strategies that will have a meaningful impact on the housing challenges that face our city today.



Housing 2012: Henry Cisneros Keynote speaker. Former US Secretary of HUD, present Executive Chairman of CityView



Housing 2012:
Representative Barney Frank talks about the need to expand the Federal role in Housing

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